

Exhibit E

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-13252

McKESSON CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

94-3207296

(I.R.S. Employer Identification No.)

One Post Street, San Francisco, California

(Address of principal executive offices)

94104

(Zip Code)

(415) 983-8300

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

(Title of each class)

(Name of each exchange on which registered)

Common stock, \$0.01 par value

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (\$229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, September 30, 2017, was approximately \$32 billion.

Number of shares of common stock outstanding on April 30, 2018: 202,050,986

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for its 2018 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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McKESSON CORPORATION

PART I

Item 1. Business.

General

McKesson Corporation (“McKesson,” the “Company,” or “we” and other similar pronouns), currently ranked 6th on the FORTUNE 500, is a global leader in healthcare supply chain management solutions, retail pharmacy, community oncology and specialty care, and healthcare information technology. We partner with manufacturers, providers, pharmacies, governments and other organizations in healthcare to help provide the right medicines, medical products and healthcare services to the right patients at the right time, safely and cost-effectively.

The Company’s fiscal year begins on April 1 and ends on March 31. Unless otherwise noted, all references in this document to a particular year shall mean the Company’s fiscal year.

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act,”) are available free of charge on our website (www.mckesson.com under the “Investors — Financial Information — SEC Filings” caption) as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (“SEC” or the “Commission”). The content on any website referred to in this Annual Report on Form 10-K is not incorporated by reference into this report, unless expressly noted otherwise.

The public may also read or copy any materials that we file with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers, including the Company, that file electronically with the SEC. The address of the website is www.sec.gov.

Business Segments

Through the end of 2018, we operated our business through two reportable segments: McKesson Distribution Solutions (“MDS”) and McKesson Technology Solutions (“MTS”).

Our Distribution Solutions segment distributes brand, generic, specialty, biosimilar and over-the-counter (“OTC”) pharmaceutical drugs and other healthcare-related products worldwide. This segment provides practice management, technology, clinical support and business solutions to community-based oncology and other specialty practices. This segment also provides solutions for manufacturers including offering multiple distribution channels and clinical trial access to our network of oncology physicians. It also provides medical-surgical supply distribution, equipment, logistics, and other services to healthcare providers within the United States. Additionally, this segment operates retail pharmacy chains in Europe and Canada, and supports independent pharmacies within North America and Europe. It also sells financial, operational and clinical solutions to pharmacies (retail, hospital, alternate site) and provides consulting, outsourcing and other services.

Our Technology Solutions segment provides clinical, financial and supply chain management solutions to healthcare organizations and owns approximately 70% equity interest in a joint venture, Change Healthcare Holdings, LLC (“Change Healthcare”), which was formed in the fourth quarter of 2017.

Distribution Solutions segment:

Our Distribution Solutions segment consists of the following businesses: North America pharmaceutical distribution and services, International pharmaceutical distribution and services and Medical-Surgical distribution and services.

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North America pharmaceutical distribution and services

Our North America pharmaceutical distribution and services business is the largest pharmaceutical distributor in the United States with more than 40,000 customers and is comprised of the following business units: U.S. Pharmaceutical Distribution, McKesson Specialty Health, McKesson Canada and McKesson Prescription Technology Solutions (“MRxTS”).

U.S. Pharmaceutical Distribution

This business is the largest pharmaceutical distributor in the United States with more than 40,000 customers. This business supplies brand, generic, specialty, biosimilar and OTC pharmaceutical drugs and other healthcare-related products to customers throughout the United States and Puerto Rico through three primary customer channels: (1) Retail national accounts which includes national and regional chains, food and drug combinations, mail order pharmacies and mass merchandisers; (2) Independent retail pharmacies; and (3) Institutional healthcare providers such as hospitals, health systems, integrated delivery networks and long-term care providers. This business also provides solutions and services to pharmaceutical manufacturers. This business provides secondary distribution of generics and medical supplies and consulting services. We also source generic pharmaceutical drugs through our joint sourcing entity, ClarusONE Sourcing Services, LLP (“ClarusONE”), which was formed in 2017.

Our U.S. pharmaceutical distribution business operates and serves customer locations in all 50 states and Puerto Rico through a network of 27 distribution centers, as well as a primary redistribution center, two strategic redistribution centers and two repackaging facilities. We invest in technology and other systems at all of our distribution centers to enhance safety and reliability and product availability. For example, we offer McKesson ConnectSM, an internet-based ordering system that provides item lookup and real-time inventory availability as well as ordering, purchasing, third-party reconciliation and account management functionality. We make extensive use of technology as an enabler to ensure customers have the right products at the right time in the right place.

To maximize distribution efficiency and effectiveness, we follow the Six Sigma methodology — an analytical approach that emphasizes setting high-quality objectives, collecting data and analyzing results to a fine degree in order to improve processes, reduce costs, enhance service accuracy and safety. We provide solutions to our customers including supply management technology, world-class marketing programs, managed care, repackaging products and services to help them meet their business and quality goals. We continue to implement information systems to help achieve greater consistency and accuracy both internally and for our customers.

The major customer groups of our U.S. Pharmaceutical Distribution business can be categorized as: retail national accounts, independent retail pharmacies and institutional healthcare providers.

Retail National Accounts: We provide business solutions that help retail national account customers increase revenues and profitability. Solutions include:

- Central FillSM — Prescription refill service that enables pharmacies to more quickly refill prescriptions remotely, more accurately and at a lower cost, while reducing inventory levels and improving customer service.
- Redistribution Centers — Two facilities totaling over 750,000 square feet that offer access to inventory for single source warehouse purchasing, including pharmaceuticals and biologics. These distribution centers also provide the foundation for a two-tiered distribution network that supports best-in-class direct store delivery.

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- McKesson SynerGx® — Generic pharmaceutical purchasing program and inventory management that helps pharmacies maximize their cost savings with a broad selection of generic drugs, competitive pricing and one-stop shopping.
- RxPakSM — Bulk-to-bottle repackaging service that leverages our purchasing scale and supplier relationships to provide pharmaceuticals at reduced prices, help increase inventory turns and reduce working capital investment.
- Inventory Management — An integrated solution comprising forecasting software and automated replenishment technologies that reduce inventory-carrying costs.
- ExpressRx Track™ — Pharmacy automation solution featuring state-of-the-art robotics, upgraded imaging and expanded vial capabilities, and industry-leading speed and accuracy in a small footprint.

Independent Retail Pharmacies: We provide managed care contracting, branding and advertising, merchandising, purchasing, operational efficiency and automation that help independent pharmacists focus on patient care while improving profitability. Solutions include:

- Health Mart® — Health Mart® is a national network of more than 4,800 independently-owned pharmacies and is one of the industry's most comprehensive pharmacy franchise programs. Health Mart® provides franchisees support for managed care contracting, branding and local marketing solutions, the Health Mart private label line of products, merchandising solutions and programs for enhanced patient support.
- Health Mart Atlas® — Comprehensive managed care and reconciliation assistance services that help independent pharmacies save time, access competitive reimbursement rates and improve cash flow.
- McKesson Reimbursement AdvantageSM (“MRA”) — MRA is one of the industry's most comprehensive reimbursement optimization packages, comprising financial services (automated claim resubmission), analytic services and customer care.
- McKesson OneStop Generics® — Generic pharmaceutical purchasing program that helps pharmacies maximize their cost savings with a broad selection of generic drugs, competitive pricing and one-stop shopping.
- Sunmark® — Complete line of more than 600 products that provide independent retail pharmacies with value-priced alternatives to national brands.
- FrontEdge™ — Strategic planning, merchandising and price maintenance program that helps independent pharmacies maximize store profitability.
- McKesson Sponsored Clinical Services (“SCS”) Network — Access to patient-support services that allows pharmacists to earn service fees and to develop stronger patient relationships.

Institutional Healthcare Providers: We provide electronic ordering/purchasing and supply chain management systems that help customers improve financial performance, increase operational efficiencies and deliver better patient care. Solutions include:

- Fulfill-RxSM — Ordering and inventory management system that empowers hospitals to optimize the often complicated processes related to unit-based cabinet replenishment and inventory management.
- Asset Management — Award-winning inventory optimization and purchasing management program that helps institutional providers lower costs while ensuring product availability.
- SKY Packaging — Blister-format packaging containing the most widely prescribed dosages and strengths in generic oral-solid medications. SKY Packaging enables acute care, long-term care and institutional pharmacies to provide cost-effective, uniform packaging.

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- McKesson Plasma and Biologics — A full portfolio of plasma-derivatives and biologic products. In the second quarter of 2018, we acquired BDI Pharma, LLC (“BDI”).
- McKesson OneStop Generics® — Described above.

McKesson Specialty Health (“MSH”)

Our MSH business provides a range of services and solutions to oncology and other specialty practices operating in communities across the country, to pharmaceutical and biotechnology suppliers who manufacture specialty drugs and vaccines, and to payers and hospitals. This business is focused on three core business lines: Manufacturer Solutions, Practice Management and Provider Solutions.

Manufacturer Solutions: This business helps manufacturers accelerate the approval and successful commercialization of specialty pharmaceuticals across the product life cycle. Our offerings include supply chain services, including specialty pharmacy services and third-party logistics (“3PL”), provider and patient engagement programs, clinical trial support, patient assistance programs, reimbursement services and analytics. In addition, we help manufacturers minimize reimbursement challenges while offering affordable, safe access to therapies through Risk Evaluation and Mitigation Strategies (“REMS”) programs.

In the fourth quarter of 2018, we completed our acquisition of RxCrossroads, a provider of tailored services to pharmaceutical and biotechnology manufacturers. RxCrossroads is headquartered in Louisville, Kentucky. This acquisition enhances our end-to-end solutions for manufacturers of branded, specialty, generic and biosimilar drugs, including comprehensive patient support services, custom pharmacy solutions and third-party logistics. In addition, this acquisition will add plasma logistics to our manufacturer solutions, complementing the Company’s established customer-facing plasma offerings. This is a continuation of our strategy to achieve better patient outcomes through efficiency and coordination across the supply chain, and throughout the patient journey.

Practice Management: This business provides a variety of solutions, including practice operations, healthcare information technology, revenue cycle management and managed care contracting solutions, evidence-based guidelines and quality measurements to support U.S. Oncology Network, one of the nation’s largest networks of physician-led, integrated, community-based oncology practices dedicated to advancing high-quality, evidence-based cancer care. We also support U.S. Oncology Research, one of the nation’s largest research networks, specializing in oncology clinical trials.

Provider Solutions: This business offers community specialists (oncologists, rheumatologists, ophthalmologists, urologists, neurologists and other specialists) an extensive set of customizable products and services designed to strengthen core practice operations, enhance value-based care delivery and expand their service offering to patients. Tools and services include specialty drug distribution and group purchasing organization (“GPO”) services, technology solutions, practice consulting services, and vaccine distribution, including our exclusive distributor relationship with the Centers for Disease Control and Prevention’s (“CDC”) Vaccines for Children program. Community-based physicians in this business line have broad flexibility and discretion to select the products and commitment levels that best meet their practice needs. In the second quarter of 2018, we acquired intraFUSION, Inc. (“intraFUSION”) of Houston, Texas, which provides management services to physician office infusion centers.

When we classify a pharmaceutical product or service as “specialty,” we consider the following factors: diseases requiring complex treatment regimens such as cancer and rheumatoid arthritis; plasma and biologics products; ongoing clinical monitoring requirements, high-cost, special handling, storage and delivery requirements and, in some cases, exclusive distribution arrangements. Our use of the term “specialty” to define a portion of our distribution business may not be comparable to that used by other industry participants, including our competitors.

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McKesson Canada

McKesson Canada is one of the largest wholesale distributors and pharmacy retailers in Canada.

The wholesale business delivers their products to retail pharmacies, hospitals, long-term care centers, clinics and institutions in Canada through a network of 13 distribution centers and provides logistics and distribution services for manufacturers. Beyond wholesale pharmaceutical logistics and distribution, McKesson Canada provides automation solutions to its retail and hospital customers. McKesson Canada also provides health information exchange solutions that streamline clinical and administrative communication. Through specialty solutions and services, McKesson Canada works with health care providers, manufacturers and payers to help patients with complex diseases by improving access to life-saving treatments.

The retail business operates approximately 450 owned pharmacies under the Rexall Health brand in Canada where we provide patients with greater choice and access, integrated pharmacy care and industry-leading service levels. We also provide retail banner services that help independent pharmacists compete and grow through innovative services and operations support. In the second quarter of 2018, we expanded our support for Canadian banners to more than 2,400 independent pharmacies by adding more than 300 independent pharmacies in Quebec, Canada, with our acquisition of the Uniprix Group.

MRxTS

This business is comprised of McKesson Pharmacy Technology and Services, RelayHealth Pharmacy and CoverMyMeds. This business supports our customers, including physicians, with a comprehensive, expanded portfolio of solutions designed to help them drive business growth, realize greater business efficiencies, deliver high-quality care, enhance medication adherence and safety, and more effectively connect with other participants in the pharmaceutical supply chain. MRxTS focuses on customers across the pharmacy industry, including manufacturers, payers, providers, retail pharmacies, hospital pharmacies and government agencies.

International pharmaceutical distribution and services

Our International pharmaceutical distribution and services business provides distribution and services to wholesale, institutional and retail customers in 13 European countries where we own, partner or franchise with retail pharmacies, as further described below. The business consists of Pharmacy Solutions and Consumer Solutions.

Our Pharmacy Solutions business delivers pharmaceutical and other healthcare-related products to pharmacies across Europe. This business functions as a vital link connecting manufacturers to retail pharmacies. This business supplies medicines to patients by procuring pharmaceuticals approved in each country as well as supplying other products sold in pharmacies. Pharmaceutical and other healthcare-related products are stored at regional wholesale branches using technology-enabled management systems. Our European business leverages its scale and provides innovative and effective medical care services to create enhanced customer value.

Our Consumer Solutions business serves patients and consumers in European countries directly through over 2,000 of our own pharmacies and over 7,000 participant pharmacies operating under brand partnership arrangements. In addition, this business includes outpatient dispensing and homecare arrangements mainly in the United Kingdom (“U.K.”). This business provides traditional prescription pharmaceuticals, non-prescription products and medical services and operates under the Lloyds Pharmacy brand in Belgium, Ireland, Italy, Sweden and the U.K.. In addition, we partner with independent pharmacies under our franchise program.

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Medical-Surgical distribution and services

Our Medical-Surgical distribution and services business provides medical-surgical supply distribution, logistics and other services to healthcare providers, including physicians' offices, surgery centers, extended care facilities, hospital reference labs, and homecare and occupational health sites. Through a network of distribution centers within the U.S., we offer more than 275,000 national brand products plus McKesson's own line of high-quality medical-surgical products. As a leading distributor of products and solutions to the full range of alternate-site healthcare facilities, we care for our customers so they can care for their patients. We serve our customers across the continuum of care to help improve efficiencies, profitability and compliance while promoting better patient outcomes. Our comprehensive portfolio of medical-surgical products helps our customers increase revenue with the right product mix. With 85% of patient visits happening beyond the hospital, each of these sites has unique needs and challenges. We serve more than 200,000 medical practices, including physician offices, surgery centers, seven of the top ten urgent care center chains and more than 1,800 community health centers. We develop customized plans to address the clinical support needs of our customers, including tackling reimbursements, reducing administrative burdens, and training and educating clinical staff.

On April 25, 2018, we entered into a definitive agreement to purchase Medical Specialties Distributors LLC, a leading national distributor of infusion and medical-surgical supplies as well as provider of biomedical services to alternate site and home health providers.

Technology Solutions Segment

Our Technology Solutions segment consists of our equity investment in Change Healthcare and our Enterprise Information Solutions ("EIS") business.

Equity investment in Change Healthcare:

On March 1, 2017, we finalized a contribution agreement ("Contribution Agreement") with Change Healthcare Holdings, Inc. ("Change"), a Delaware corporation, and others including shareholders of Change to form a joint venture, Change Healthcare. Under the terms of the Contribution Agreement, we contributed the majority of our McKesson Technology Solutions businesses ("Core MTS Business") to Change Healthcare. In exchange for the contribution, we own approximately 70% of the joint venture with the remaining equity ownership held by Change shareholders. We retained our RelayHealth Pharmacy ("RHP") and EIS businesses. Our investment in Change Healthcare is accounted for using the equity method of accounting. Change Healthcare is a healthcare technology company that leverages software and analytics, network solutions, and technology-enabled services to enable better patient care, choice, and outcomes at scale. We transferred our RHP business to our MDS segment, effective April 1, 2017.

Refer to Financial Note 2, "Healthcare Technology Net Asset Exchange" to the consolidated financial statements appearing in this Annual Report on Form 10-K for additional information.

EIS:

This business provided clinical and financial information systems for healthcare organizations including professional services, workflow management and supply chain management solutions.

On October 2, 2017, we sold our EIS business to a third party. We received net cash proceeds of \$169 million after \$16 million of assumed net debt by the third party. We recognized a pre-tax gain of \$109 million (after-tax gain of \$30 million) upon the disposition of this business in the third quarter of 2018.

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Fiscal 2019 Operating Segments

As previously disclosed in our Quarterly Reports on Form 10-Q for the quarters ended September 30, 2017 and December 31, 2017, the executive who was our segment manager of the Distribution Solutions segment retired from the Company in January 2018. As a result, the Company's chief operating decision maker ("CODM") evaluated our management and operating structure. In connection with the completion of this evaluation in the first quarter of 2019, our operating structure is realigned, and we will report our financial results in three reportable segments on a retrospective basis commencing in the first quarter of 2019: U.S. Pharmaceutical and Specialty Solutions, European Pharmaceutical Solutions and Medical-Surgical Solutions. All remaining operating segments and business activities that are not significant enough to require separate reportable segment disclosure will be included in Other. Other primarily consists of McKesson Canada, McKesson Prescription Technology Solutions and our equity method investment in Change Healthcare. The segment changes will reflect how our CODM allocates resources and assesses performance commencing in the first quarter of 2019. Refer to Financial Note 28, "Segments of Business" to the consolidated financial statements appearing in this Annual Report on Form 10-K for additional information.

Business Combinations, Investments, Discontinued Operations and Divestitures

We have undertaken additional strategic initiatives in recent years designed to further focus on our core healthcare businesses and enhance our competitive position. We expect to continue to undertake such strategic initiatives in the future. These initiatives are detailed in Financial Notes 2, 5, 6 and 7, "Healthcare Technology Net Asset Exchange," "Divestitures," "Business Combinations" and "Discontinued Operations" to the consolidated financial statements appearing in this Annual Report on Form 10-K.

Competition

Our two reportable segments, Distribution Solutions and Technology Solutions, face highly competitive global environments with strong competition from international, national, regional and local full-line, short-line and specialty distributors, service merchandisers, self-warehousing chain drug stores, manufacturers engaged in direct distribution, third-party logistics companies and large payer organizations. In addition, these segments face competition from various other service providers and from pharmaceutical and other healthcare manufacturers as well as other potential customers of the segment, which may from time-to-time decide to develop, for their own internal needs, supply management capabilities that would otherwise be provided by the segment. In all areas, key competitive factors include price, quality of service, breadth of product lines, innovation and, in some cases, convenience to the customer.

Patents, Trademarks, Copyrights and Licenses

McKesson and its subsidiaries hold patents, copyrights, trademarks and trade secrets related to McKesson products and services. We pursue patent protection for our innovation, and obtain copyrights covering our original works of authorship, when such protection is advantageous. Through these efforts, we have developed a portfolio of patents and copyrights in the U.S. and worldwide. In addition, we have registered or applied to register certain trademarks and service marks in the U.S. and in foreign countries.

We believe that, in the aggregate, McKesson's confidential information, patents, copyrights, and trademarks are important to its operations and market position, but we do not consider any of our businesses to be dependent upon any one patent, copyright, trademark, or trade secret, or any family or families of the same. We cannot guarantee that our intellectual property portfolio will be sufficient to deter misappropriation, theft, or misuse of our technology, nor that we can successfully enjoin infringers. We periodically receive notices alleging that our products or services infringe on third party patents and other intellectual property rights. These claims may result

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in McKesson entering settlement agreements, paying damages, discontinuing use or sale of accused products, or ceasing other activities. While the outcome of any litigation or dispute is inherently uncertain, we do not believe that the resolution of any of these infringement notices would have a material adverse impact on our results of operation.

We hold inbound licenses for certain intellectual property that is used internally, and in some cases, utilized in McKesson's products or services. While it may be necessary in the future to seek or renew licenses relating to various aspects of our products and services, we believe, based upon past experience and industry practice, such licenses generally can be obtained on commercially reasonable terms. We believe our operations and products and services are not materially dependent on any single license or other agreement with any third party.

Other Information about the Business

Customers: During 2018, sales to our ten largest customers, including GPOs accounted for approximately 51.7% of our total consolidated revenues. Sales to our largest customer, CVS Health ("CVS"), accounted for approximately 19.9% of our total consolidated revenues. At March 31, 2018, trade accounts receivable from our ten largest customers were approximately 24.9% of total trade accounts receivable. Accounts receivable from CVS were approximately 16.4% of total trade accounts receivable. We also have agreements with GPOs, each of which functions as a purchasing agent on behalf of member hospitals, pharmacies and other healthcare providers, as well as with government entities and agencies. The accounts receivable balances are with individual members of the GPOs, and therefore no significant concentration of credit risk exists. Substantially all of these revenues and accounts receivable are included in our Distribution Solutions segment.

Suppliers: We obtain pharmaceutical and other products from manufacturers, none of which accounted for more than 6% of our purchases in 2018. The loss of a supplier could adversely affect our business if alternate sources of supply are unavailable. We believe that our relationships with our suppliers are generally sound. The ten largest suppliers in 2018 accounted for approximately 41% of our purchases.

A significant portion of our distribution arrangements with the manufacturers provides us compensation based on a percentage of our purchases. In addition, we have certain distribution arrangements with pharmaceutical manufacturers that include an inflation-based compensation component whereby we benefit when the manufacturers increase their prices as we sell our existing inventory at the new higher prices. For these manufacturers, a reduction in the frequency and magnitude of price increases, as well as restrictions in the amount of inventory available to us, could have an adverse impact on our gross profit margin.

Research and Development: Research and development ("R&D") costs were \$125 million, \$341 million and \$392 million during 2018, 2017 and 2016. Development expenditures in 2017 and 2016 were primarily incurred by our MTS segment. R&D costs were lower in 2018 due to the 2017 contribution of the majority of our MTS businesses. Additional information regarding our development activities is included in Financial Note 1, "Significant Accounting Policies," to the consolidated financial statements appearing in this Annual Report on Form 10-K.

Environmental Regulation: Our operations are subject to regulations under various federal, state, local and foreign laws concerning the environment, including laws addressing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, and the cleanup of contaminated sites. We could incur substantial costs, including cleanup costs, fines and civil or criminal sanctions and third-party damage or personal injury claims, if in the future we were to violate or become liable under environmental laws.

We are committed to maintaining compliance with all environmental laws applicable to our operations, products and services and to reducing our environmental impact across all aspects of our business. We meet this commitment through an environmental strategy and sustainability program.

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We sold our chemical distribution operations in 1987 and retained responsibility for certain environmental obligations. Agreements with the Environmental Protection Agency and certain states may require environmental assessments and cleanups at several closed sites. These matters are described further in Financial Note 24, "Commitments and Contingent Liabilities," to the consolidated financial statements appearing in this Annual Report on Form 10-K.

The liability for environmental remediation and other environmental costs is accrued when the Company considers it probable and can reasonably estimate the costs. Environmental costs and accruals, including that related to our legacy chemical distribution operations, are presently not material to our operations or financial position. Although there is no assurance that existing or future environmental laws applicable to our operations or products will not have a material adverse impact on our operations or financial condition, we do not currently anticipate material capital expenditures for environmental matters. Other than the expected expenditures that may be required in connection with our legacy chemical distribution operations, we do not anticipate making substantial capital expenditures either for environmental issues, or to comply with environmental laws and regulations in the future. The amount of our capital expenditures for environmental compliance was not material in 2018 and is not expected to be material in the next year.

Employees: On March 31, 2018, we employed approximately 78,000 employees, including approximately 20,000 part-time employees.

Financial Information About Foreign and Domestic Operations: Certain financial information relating to foreign and domestic operations is included in Financial Note 28, "Segments of Business," to the consolidated financial statements appearing in this Annual Report on Form 10-K. See "Risk Factors" in Part I, Item 1A below for information regarding risks associated with our foreign operations.

Forward-Looking Statements

This Annual Report on Form 10-K, including the Chairman's 2018 letter, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of Part II of this report and the "Risk Factors" in Item 1A of Part I of this report, contains forward-looking statements within the meaning of section 27A of the Securities Act of 1933, as amended and section 21E of the Securities Exchange Act of 1934, as amended. Some of these statements can be identified by use of forward-looking words such as "believes," "expects," "anticipates," "may," "will," "should," "seeks," "approximately," "intends," "plans" or "estimates," or the negative of these words, or other comparable terminology. The discussion of financial trends, strategy, plans or intentions may also include forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected, anticipated, or implied. Although it is not possible to predict or identify all such risks and uncertainties, they may include, but are not limited to, the factors discussed in Item 1A of Part I of this report under "Risk Factors." The reader should not consider the list to be a complete statement of all potential risks and uncertainties.

These and other risks and uncertainties are described herein and in other information contained in our publicly available SEC filings and press releases. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date such statements were first made. Except to the extent required by federal securities laws, we undertake no obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of unanticipated events.